

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

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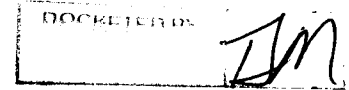
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Arizona Corporation Commission  
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OCT 31 2012



IN THE MATTER OF RESOURCE PLANNING  
AND PROCUREMENT IN 2011 AND 2012.

DOCKET NO. E-00000A-11-0113  
**COMMENTS OF WESTERN RESOURCE  
ADVOCATES AND INTERWEST ENERGY  
ALLIANCE**

On October 25, 2012, Staff and its consultants presented a summary of the Staff analysis of utilities' resource plans and requested written comments on issues brought up at the presentation. Western Resource Advocates (WRA) and Interwest Energy Alliance hereby submit comments regarding Staff's presentation.<sup>1</sup>

Staff is to be commended for preparing a comprehensive compilation of four utilities' resource plans to provide a statewide picture. Our comments below address three issues inherent in the consultants' presentation and provide recommendations on how to proceed.

**1. Comparison of Utilities' Energy Efficiency Savings**

The consultants presented a graph intending to show several utilities' cumulative energy efficiency savings as a proportion of the utilities' previous year's electricity sales. While the concept of the graph is useful, the underlying data from EIA Form 861 are problematic. For example, for 2010, Arizona Public Service Company (APS) shows 319,507 MWh of annualized incremental energy efficiency savings. Incremental savings are new savings achieved from measures implemented in a given year and do not account for savings in the current year due to measures installed in previous years. Annualized values are used to standardize the reporting of incremental savings and assume that the energy efficiency measures added during a given year were installed on January 1 of that year. The savings level reported by APS matches that in APS's 2010 DSM report to the Commission.

The EIA form also shows that APS reported 319,507 MWh of total annual energy efficiency savings in 2010 caused by all participants in the DSM programs that were in effect that year. This value is apparently the number the consultants used to prepare their graph. It is supposed to include new and existing participants in existing programs (those implemented in prior years that are in place during the given year) and all participants in new programs (those implemented during the given year). It should be different than (and typically larger than) the annualized incremental energy efficiency savings discussed above. It isn't.

**Staff could attempt to correct errors in the data but we recommend that Staff simply eliminate the graph from its report. The graph is not really necessary.**

<sup>1</sup> WRA provided a detailed analysis of Arizona Public Service Company's resource plan in comments filed on September 7, 2012 and Interwest filed comments on October 22, 2012.

## 2. Scope of Resource Planning

The resource planning process should be used to invite new ideas to create the energy infrastructure of the future by providing utilities, stakeholders, and the Commission with the opportunity to jointly work through thorny issues in a productive manner. Doing so allows all the parties to explore issues and options and seek new ideas from a wide range of sources. We urge the Commission to make maximum use of this opportunity for innovation.

To help with this process, several contrasting visions of future resource mixes should be evaluated. As WRA stated in the October 25 meeting, APS's development of four very different portfolios in its resource plan is a strength of its plan. Further, APS was the only utility to compare highly dissimilar visions of the future. APS's approach should be a model for the Arizona process.

In contrast, Staff's presentation emphasized preparation of comprehensive and consistent calculations. We agree that solid analysis is important. **However, we believe that the Commission should be primarily concerned with the general direction utilities are going in a dynamic and uncertain world.** There are long term issues in air pollution, water scarcity, fuel price uncertainty, and other matters that call for in-depth discussion and creative solutions. At this point, additional model runs may be less instructive in providing direction to the utilities than focusing on long run fundamentals.

## 3. Acknowledgement of a Plan

Acknowledgement pertains to Commission decisions and guidance on the general structure of the future mix of resources to meet the demand for electric energy services and, ultimately, deployment of planned resources. The consultants' presentation and Staff's comments, however, indicated that the Commission should acknowledge the utilities' resource plans as long as all the required calculations have been performed. **A.A.C. R14-2-704(B) indicates that the Commission shall order an acknowledgment of a resource plan if the Commission determines that the resource plan complies with the requirements of A.A.C. R14-2-701 et seq. and that the load-serving entity's resource plan is reasonable and in the public interest, based on the information available to the Commission and considering a list of economic, environmental, risk management, and other factors set forth in the rule.<sup>2</sup>** We believe it is essential for the Commission to hear parties' assessments of utilities' plans with respect to these factors and to base its acknowledgement decision on these factors. WRA presented its assessment regarding APS's portfolio options in its September 7, 2012 comments.

## 4. Recommendation

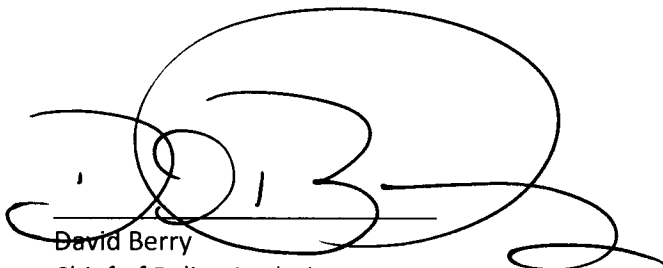
WRA and Interwest appreciated the two workshops held to date on the resource plans as well as the utilities' stakeholder meetings. The structure of the meetings allowed for dialogue among all participants. We especially appreciated the participation of the Commissioners in the two meetings at the Commission. However, additional discussion is desirable prior to the Commission acting on the resource plans. Therefore, **we recommend that, after completion of the draft Staff report, Staff conduct another workshop to provide an opportunity to discuss the merits of each scenario relative to**

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<sup>2</sup> These factors are: cost, demand-related factors, the range of supply alternatives, uncertainty and flexibility, reliability of power supplies and the transmission grid, environmental impacts, consideration of all relevant resources, risks, and uncertainties, the best interest of customers, the best combination of costs and risk for the utility and its customers, and coordination with other utilities (A.A.C. R14-2-704(B)).

the state's challenges, including each party's assessment of the factors listed in A.A.C. R14-2-704(B). A comprehensive summary of the discussion should either be incorporated into Staff's final report or prepared by Staff as a separate document. In either case, the summary would be available to the Commissioners for consideration in their review of the resource plans. The additional workshop and summary should not delay the schedule for the Commission's review of the resource plans in early 2013, however.

Respectfully submitted this 31<sup>st</sup> day of October, 2012.



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